

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 2371 - SB 2233

January 23, 2012

SUMMARY OF BILL: Authorizes the Commissioner of Revenue to require documents or payments filed with the Department of Revenue (DOR) to be submitted in an electronic format. Authorizes the Commissioner to waive this requirement when it imposes a hardship upon a taxpayer, thereby permitting such taxpayer to file certain documents in paper form, when the taxpayer submits a fee, not to exceed \$25, to the Department for the cost of preparing, printing, receiving, reviewing and processing paper filings so permitted. Authorizes the Commissioner to assess penalties, subject to waiver, not to exceed \$500, rather than \$500, to any taxpayer required to file tax returns by electronic means when the taxpayer files such returns by other means. Establishes record-keeping requirements for certain wholesalers and other dealers making sales for resale for the purpose of administration and enforcement of this bill. Authorizes the Commissioner to change the due date for business tax to coincide with a taxpayer's fiscal year. Authorizes that certain information currently required in physical form or on microfiche to be submitted digitally.

ESTIMATED FISCAL IMPACT:

Increase State Revenue –

**\$43,700/FY12-13/Department of Revenue
\$109,300/FY13-14/Department of Revenue
\$174,900/FY14-15/Department of Revenue
\$437,400/FY15-16 and Subsequent Years/Department of Revenue
\$1,500,000/Recurring/General Fund**

Decrease State Expenditures – Net Impact –

**\$436,800/FY12-13
\$638,000/FY13-14
\$1,000,600/FY14-15
\$2,147,200/FY15-16
\$2,552,100/FY16-17 and Subsequent Years**

Increase Local Revenue - \$857,100

According to the Department of Finance and Administration, the Division of Budget, this bill will be included in the Governor's Recommended Budget for FY12-13 reflecting a net decrease in state expenditures of \$436,800 and an increase in state revenue of \$1,543,700.

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Assumptions:

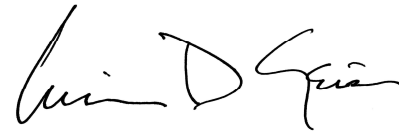
- According to DOR, any change to fine revenue as a result of discretion provided the Commissioner to assess a fine less than \$500 is estimated to be not significant.
- DOR indicates that requiring all tax returns to be filed electronically will occur over a four-year period.
- DOR indicates, based on tax return data, that departmental fee revenue will increase as a result of some taxpayers continuing to file tax returns via non-electronic means. The Department has indicated that while the number of total taxpayers filing via non-electronic means will decrease as a result of this bill, fee revenue received over the initial four-year period will increase because the Department plans to phase in fee charges. Based on information received by DOR, the increase in state revenue derived from fees is estimated to be \$43,700 in FY12-13; \$109,300 in FY13-14; \$174,900 in FY14-15; and \$437,400 in FY15-16 and subsequent years.
- DOR indicates there will be a reduction in recurring state expenditures related to printing and mailing tax returns. Based on the information provided by the Department, this recurring decrease in state expenditures will be approximately \$919,500 when fully implemented. However, these expenditure reductions will occur over the four-year period. The Department has indicated first-year (FY12-13) expenditure reductions of \$331,000, submitted as part of the Department's savings opportunities in the FY12-13 Base Budget Reduction Plan. There will be no additional expenditure reductions in FY13-14, therefore, total expenditure reductions remain at \$331,000. Total expenditure reductions for FY14-15 are estimated to be \$448,700; and total expenditure reductions for FY15-16 and subsequent years are estimated to be \$919,500.
- DOR estimates a 33 percent reduction in processing staff needs, which is the equivalent of 40 positions with recurring costs of \$1,632,600. However, these 40 positions will be eliminated over the four-year period. The Department has indicated first-year (FY12-13) expenditure reductions of \$163,300 associated with the elimination of four positions. Six additional positions will be eliminated in FY13-14, with total savings estimated to be \$408,200. Six additional positions will be eliminated in FY14-15, with total savings estimated to be \$653,100. Twenty-four additional positions will be eliminated in FY15-16, with total savings estimated to be \$1,632,600. These expenditure reductions become recurring beginning in FY15-16.
- As it applies to expenditure reductions for printing, mailing, and positions, the total recurring decrease in state expenditures is estimated to be \$2,552,100 when fully implemented. The decrease in state expenditures for FY12-13 is estimated to be \$494,300 (\$331,000 + \$163,300); for FY13-14 is estimated to be \$739,200 (\$331,000 + \$408,200); for FY14-15 is estimated to be \$1,101,800 (\$448,700 + \$653,100); and for FY15-16 and subsequent years is estimated to be \$2,552,100 (\$919,500 + \$1,632,600).
- The above state expenditure reductions will be offset by one-time state expenditures associated with computer and software modifications and form changes. The total one-time state expenditures to occur over the four-year period are estimated to be \$664,800. DOR indicates these costs will be incurred as follows: \$57,500 in FY12-13; \$101,200 in FY13-14; \$101,200 in FY14-15; and \$404,900 in FY15-16.
- The total net decrease in state expenditures for FY12-13 is estimated to be \$436,800 (\$494,300 - \$57,500); for FY13-14 is estimated to be \$638,000 (\$739,200 - \$101,200);

for FY14-15 is estimated to be \$1,000,600 (\$1,101,800 - \$101,200); for FY15-16 is estimated to be \$2,147,200 (\$2,552,100 - \$404,900); and for FY16-17 and subsequent years is estimated to be \$2,552,100.

- DOR indicates that taxpayer compliance will increase as a result of this bill. Based on information provided by the Department, there will be recurring increases in collections for state and local sales tax, franchise and excise tax, and business tax. The recurring increases to state and local sales tax collections are estimated to be \$1,000,000 and \$357,100 respectively. The recurring increase to franchise and excise tax collections is estimated to be \$100,000, and the recurring increase to business tax collections is estimated to be \$900,000 (with \$400,000 apportioned to the state and \$500,000 apportioned to local governments). The total recurring increase in state revenue to the general fund is estimated to be \$1,500,000 (\$1,000,000 + \$100,000 + \$400,000). The total recurring increase in local government revenue is estimated to be \$857,100 (\$357,100 + \$500,000).

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

/rnc